CBIA CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION

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TESTIMONY
BEFORE THE
INSURANCE AND REAL ESTATE COMMITTEE
LEGISLATIVE OFFICE BUILDING
MARCH 15, 2012

My name is Eric George and I am Associate Counsel for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing less than 50 people.

While the federal government has passed health care reform and Connecticut has begun the process of establishing its federally-required health insurance exchange, more still needs to be done to lower costs and more needs to be done to improve the health of our citizens. Employers find health care costs rising faster than other input costs. Some providers are unable to generate sufficient patient revenue to cover costs. Some patients cannot get timely access to optimal care. And too many individuals remain without health insurance, engage in unhealthy behaviors and live in unhealthy environments.

For the business community, the issues of health care quality, cost and access are critical. After numerous years of double-digit and near-double-digit increases, health insurance has quickly become a product that many people and companies find they can no longer afford. In addition, the cost of health care directly affects businesses' ability to create new jobs.

Therefore, CBIA asks this committee to reject **HB 5486, AN ACT CONCERNING HEALTH INSURANCE COVERAGE FOR PRESCRIPTION DRUGS AND BREAST THERMOGRAPHY**. As Connecticut moves towards developing its new health insurance exchange, CBIA asks you to refrain from making the already high cost of health care even more unaffordable for the state's companies and residents.

Please note that the federal government has all but closed the door on new mandates this year. Specifically, the Federal Centers for Medicare and Medicaid Services (CMS) issued regulatory guidance about requirements for the essential benefits package (EHP) under federal healthcare reform. The EHP is the level of benefit coverage that health plans must meet in order to be offered through the states' health insurance exchanges.

Earlier, the federal government ruled that each state is responsible for setting its own EHP level. However, the rules have changed significantly. Instead of the states taking most of this year to determine their EHP, the CMS has closed the mandates door--as of Dec. 31, 2011. From the latest CMS Frequently Asked Questions Bulletin:

Q: Could a state add state-mandated benefits to the state-selected EHB benchmark plan today without having to defray the costs of those mandated benefits?

A: No... any state-mandated benefits enacted after Dec. 31, 2011 could not be part of EHB for 2014 or 2015

What if state lawmakers pass new or expanded mandates this session? Who would be responsible for paying their cost? CMS says the State of Connecticut would have to pay the extra costs.

Specifically, "The [federal health reform law] requires States to defray the costs of State-mandated benefits in [health plans sold through the exchange] that are in excess of the EHB."

This decision has enormous implications for all states—but especially Connecticut--that historically have passed more mandates than others.
If lawmakers adopt any new or expanded mandates this year, then they have to be prepared to pay for them through the state's General Fund.

Moreover, every health benefit mandate, while providing a benefit to the individuals who utilize those services, increases health insurance premiums for all state-regulated group and individual policies. Several groups, including the Connecticut Department of Insurance, have analyzed Connecticut's mandates to determine their impact on premium.

It is noteworthy that the Council for Affordable Health Insurance (CAHI) has reported that health benefit mandates increase health insurance premiums between less than 20% to more than 50%. According to CAHI, Connecticut's mandates increase group and individual health insurance premiums by as much as 65%.

Connecticut's employers are already struggling to afford health insurance for their employees. The hardest hit among these companies are small employers whose revenues and operating budgets make affording employee health insurance extremely difficult. However, when the legislature adopts new health insurance mandates, it makes affording health insurance particularly difficult for these small employers. This is because state mandated benefits only impact plans that are subject to state regulation. If a company has the financial ability to self-insure, then that company's health plan is governed solely by federal law, including the Employee Retirement Income Security Act (ERISA), and does not have to comply with state health benefit mandates. Companies that are able to self-insure (and therefore not subject to Connecticut's health insurance mandates) are typically larger companies that can afford taking on such risk. Smaller companies usually cannot and are forced to be fully insured and subject to state regulation.

So, Connecticut's health insurance mandates impact smaller employers in the state to a greater degree than larger employers. When the legislature either creates a new mandate or expands an existing mandate, it is making health insurance less affordable for those small companies that can least afford to shoulder these cost increases.

CBIA asks this committee to reject all new or expanded mandate proposals and to enact a moratorium on health insurance mandates. It is crucial that as the state moves forward toward major health care reform, that the General Assembly refrain from taking any actions that would increase the cost of already skyrocketing health insurance premiums.

Again, please reject **HB 5486** and thank you for the opportunity to offer CBIA's comments on this legislation. I look forward to working with you on this and other issues related to the reforming Connecticut's health care system.